

6 JUN 1958

MEMORANDUM FOR: Deputy Administrator for the MDAC Act
Department of State

ATTENTION: Mr. Charles F. Johnson

SUBJECT: First Draft of Eleventh Battle Act Report

1. The first draft of the Eleventh Battle Act report has been reviewed carefully by a number of analysts in this Office, both for the accuracy of factual information, and for the logic of interpretation. Because several fairly serious questions of interpretation have arisen in the minds of some of our analysts, we would very much appreciate having Mr. Charles F. Johnson of State/E/MDAC visit us in order to discuss these matters in person with the analysts concerned.

2. For example, in Chapter I, in explaining the reasons for the Soviet economic retrenchment in 1957 and 1958, it is felt that too large an influence has been ascribed to the effects of industrial reorganization, with too little stress on the shift in Soviet priorities toward agriculture and housing and on the necessity for compensating for a cumulative lag in raw materials productive capacity.

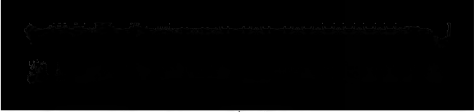
3. While Chapter II is a commendable attempt to survey post-war developments in Bloc integration, its effectiveness is vitiated by some errors of fact and interpretation. In particular, with respect to the current role of CECA in Bloc specialization, the chapter seems to assume as a "fait accompli" activities which are still in their initial planning stages. The reference to a "joint 15 year integration plan" seems exaggerated in view of the agreement to coordinate only "basic sectors" of national long-term economic plans.

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4. In Chapter III we find several instances of apparent error in production data of such a magnitude as to give cause for serious concern. In this chapter, too, there is some question regarding the validity of certain conclusions and generalizations which have been drawn.

5. We are ready to discuss these matters of fact and interpretation in detail with Mr. Johnson at his convenience.

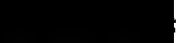
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